



**WorleyParsons**

resources & energy

12 August 2008

**ASX/Media Release**  
**WORLEYPARSONS LIMITED**  
**(ASX: WOR)**

**WorleyParsons announces record profit**

**Highlights**

- Net profit after tax up 53.0% to \$343.9 million
- EBITDA growth of 66.1% to \$587.0 million
- EBITDA margin expansion to 12.0% (2007: 10.0%)
- Second half EBITDA growth of 23.1%
- Enters top 10 Global Engineering Design Firms\*
- EPS<sup>1</sup> up 40.0% to 142.5 cents per share
- Continued positive outlook for 2009

Professional services company WorleyParsons Limited (the company) today announced a net profit after tax for the 12 months to 30 June 2008 of \$343.9 million, an increase of 53.0% on the \$224.8 million net profit reported for the same period to 30 June 2007.

The result was earned on aggregated revenue of \$4,900.7 million, an increase of 38.6% on the \$3,534.6 million reported in the previous corresponding period.

EBITDA for the period was \$587.0 million, an increase of 66.1% on the prior corresponding period and an increase of 23.1% on the first half of this financial year. The EBITDA margin for the group increased to 12.0% from the 10.0% reported in the previous corresponding period. The company's net profit after tax margin on aggregated revenue increased to 7.0% from the 6.4% reported in 2007. The effective corporate tax rate of 28.9% remained in line with the rate recorded in the first half of this financial year.

Basic earnings per share (EPS) were 142.5 cents, an increase of 40.0% above the 101.8 cents per share for the previous corresponding period.

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<sup>1</sup> In calculating EPS the weighted average number of shares on issue includes the exchangeable shares issued as part of the Colt acquisition in 2007.

\* Engineering News Record (ENR) Survey



## Dividend declaration

The Directors have declared a final dividend of 47.5 cents per share, franked at 71.0% (33.7 cents per share franked). The FY2007 final dividend was 32.5 cents per share, franked at 29.2% (9.5 cents per share).

The dividend will be paid on 10 October 2008 for shareholders on the register as at midnight (Australian Eastern Standard Time) on 12 September 2008.

## Results

	%	30 JUNE 2008 \$'MILLION	30 JUNE 2007 \$'MILLION
Revenue	UP 33.0	4,670.1	3,512.5
Earnings before interest, income tax, depreciation and amortisation expense (EBITDA)	UP 66.1	587.0	353.4
Earnings before interest and income tax expense (EBIT)	UP 63.0	520.0	319.1
Profit before income tax expense	UP 59.5	488.3	306.2
Profit attributable to members of WorleyParsons Limited	UP 53.0	343.9	224.8
Basic earnings per share (cents per share)	UP 40.0	142.5	101.8
Diluted earnings per share (cents per share)	UP 40.2	140.8	100.4
Revenue		4,670.1	3,512.5
Procurement services revenue		(196.1)	(357.8)
Revenue excluding procurement services revenue		4,474.0	3,154.7
Share of revenue from associates		855.9	691.8
Procurement services revenue of associates		(392.7)	(292.2)
Net revenue from associates		463.2	399.6
Share of net profits of equity accounted associates		(36.5)	(19.7)
Aggregated revenue <sup>1</sup>		4,900.7	3,534.6

<sup>1</sup> Aggregated revenue is defined as statutory revenue and other income plus share of revenue from associates less procurement services revenue at nil margin. The Directors of WorleyParsons Limited believe the disclosure of revenue attributable to associates provides additional information in relation to the financial performance of the WorleyParsons Limited Group.

## Finance

The company's gearing ratio at 30 June 2008 (calculated on a net debt to net debt + equity basis) was 31.4% compared with 22.3% at 30 June 2007. The EBITDA to total interest expense ratio was 11.7 times (2007: 16.0 times). The Company's cash position at 30 June 2008 was \$82.2 million.

The company has increased its committed debt facilities during the year from \$922 million to \$1,292 million, including US \$144.5 million raised in March 2008 in the US Private Placement market. Facility



utilization at 30 June 2008 was 68%. The average maturity of the debt facilities at 30 June 2008 is 4.63 years (2007 5.38 years) with \$98.2 million (9%) maturing within one year, \$456.8 million (43%) between one and four years and \$515.4 million (48)% between five and ten years.

Operating cash flow for the period was \$198.8 million, compared to \$195.9 million in the previous corresponding period. Working capital utilized in the group increased during the period due to business growth and funding and support of a number of new operations across the Group. Operating cash flow was also affected by some timing impact due to the implementation of new financial systems in a number of operations. It is expected that this timing impact will reverse during the early part of the new financial year.

During the year the Company invested a total of \$235.6 million in acquisitions, including Westmar (\$49.5 million), INTEC (\$117.6 million), a 50% interest in South African based Pangaea (\$3.6 million), 100% of MB Technology (Malaysia) Sdn Bhd (for \$1.8 million), 100% of US asset services group Unifield Engineering, Inc (for \$17.9 million); 100% of US power group Polestar Applied Technology Inc (for \$12.7 million); 100% of Sydney based Patterson Britton and Partners Pty Limited and Brisbane based John Wilson & Partners Pty Limited (for \$32.5 million).

\$20.0 million of deferred settlements were also paid out relating to the successful achievement of 'earn out' clauses of several previously acquired entities.

The effective tax rate of the Company for 2008 was 28.9%, in line with the rate reported at 31 December 2007 (29.2%) (30 June 2007 full year rate 26.1%).

### **Assets held for sale**

The company is withdrawing from the pursuit of opportunities in the ownership of Infrastructure projects and will be looking to divest its interests in two regional power stations in Western Australia.

Following this decision these investments are now classified as 'assets held for sale' with a book value of \$31.6 million. The company does not expect the potential sale of these investments to contribute materially to future earnings.

### **Chief Executive's Comments**

Commenting on the performance for the year to 30 June 2008 the Chief Executive Officer of WorleyParsons, Mr John Grill, said:

"It is pleasing to deliver another record result in 2008. Positive trading conditions across the group continue and demand for our services remains high. The operating result is outstanding. This is especially so in the context of the strong appreciation of the Australian dollar in the year.

"The number of personnel deployed across the WorleyParsons group is now over 32,200. Our strong performance in recent years has seen us finish 2008 in the top 10 global engineering design firms for the first time. The ENR survey also placed us as the second largest international engineering design firm outside of their home country.

"Our Hydrocarbons business continues to deliver strong year on year performance. One of the highlights this year was the addition of offshore deepwater specialist INTEC to our business. The combination of INTEC and our other offshore specialist, SEA Engineering, gives us a strong offering in an increasingly important market.

"Significant pressures on project delivery for all participants in the industry continued in 2008. We have been very pleased with our ability to continue to attract and retain personnel and to support projects



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with an increased portion of workshare. Equally, we are encouraged by the feedback from our clients on the enhanced state of our project delivery systems.

“The successful early integration of our Canadian operations in 2007 has provided the base for a strong result in 2008. As a result of this success we have been able to develop the next phase of growth in Canada through the expansion of our other customer sector groups. The addition of Westmar Consultants in the second half of this year will assist in this expansion in 2009.

“The Minerals & Metals and Infrastructure & Environment businesses continued their strong performance in the second half of 2008 with increased recognition in the year of our full ‘pit to port’ capability that is delivering a number of world scale resource projects. Our performance in these two sectors was a major contribution to a very strong result in the Australian business.

“This year we have invested another \$246.6 million in 8 acquisitions including deepwater specialist INTEC and Canadian consultant Westmar. Since 2004 we have invested approximately \$443.3 million in small to mid size acquisitions that have added significant capability to the company. We continue to see and evaluate similar opportunities as the sectors we operate in continue to consolidate. Our financial and management capacity leaves us well placed to bring additional capability into the business.”

## **Select Deliver Improve**

In 2008 the company simplified its services into three categories that cover all aspects of our clients operations; Select, Deliver and Improve. *Select* is a specialist capability of WorleyParsons, focused on project viability assessment and selection. Our consulting services are also provided through *Select*. It is an integral part of WorleyParsons’ global project delivery capability. During the *Deliver* phase, WorleyParsons converts the highest potential value options identified in the *Select* phase into fully defined, safe and successfully executed projects, realizing maximum value for our customers. WorleyParsons’ *Improve* delivers major projects, upgrades, de-bottlenecking and maintenance projects, project portfolio management and support services to sustain assets and improve business performance of brownfield operations.

## **Management Structure**

WorleyParsons has experienced strong growth since listing on the ASX in 2002 and the subsequent acquisitions of Parsons E&C in 2004 and the Colt Group in 2007. The company has a leadership position in many of its markets.

To ensure the company remains well positioned for current and future opportunities and to ensure the ongoing development of the executive management team an evolved organisation structure has been developed and will be implemented by the end of September 2008.

The new structure increases to five the number of operating regions and also recognises the increasing importance of both Mega-Projects (projects with capital cost in excess of US\$1 billion) and EcoNomics® by allocating separate executive responsibility for these initiatives. The new structure will involve relocation and changes in responsibility for a number of key executives.



## Safety Performance

WorleyParsons uses the US OSHA (Occupational Safety and Health Administration) reporting standards for Total Recordable Case Frequency Rate (TRCFR) and Lost Workday Case Frequency Rate (LWCFR).

Under these definitions WorleyParsons' safety performance for our employees for the 2008 financial year was a TRCFR of 0.14, a slight increase when compared to the 2007 financial year. Our LWCFR rate was 0.02 for 2008, a similar performance to the 2007 financial year.

Mr John Grill said: "While our safety performance compares very favourably with international best practices and within our industry sectors, we are taking our commitment to safety to a new level. We are actively reinvigorating our management systems and engaging our people, contractors and suppliers in the expectations and programs we have to achieve zero harm.

"In addition, WorleyParsons is increasingly involved in the provision of project and construction management services in remote parts of the world and, in doing so, taking safety responsibility for contractors. Consequently, it is essential that we ensure that these contractors share our goal of zero harm – a challenge we are confident we can address this coming year. To support this effort we will continue to develop and establish our OneWay program throughout the Group."

## Segment Performance

### Hydrocarbons

The Hydrocarbons business reported aggregated revenue of \$3,612.5 million for the twelve months to 30 June, 2008 representing an increase of 40% from the previous corresponding period. Hydrocarbons contribution to the Group's total aggregated revenue was 73.7%. Segment EBITDA was \$436.3 million with a reported segment margin of 12.1% (2007: EBITDA \$264.4 million; margin 10.2%).

During the period, WorleyParsons completed the acquisition of INTEC Engineering, a globally recognised consultancy specialising in deepwater subsea engineering and offshore pipelines. This acquisition is highly complementary to last year's acquisition of SEA Engineering and the company has combined the two organisations into a new entity: INTECSEA, to provide a fully integrated deepwater, subsea, pipelines and floating production capability.

WorleyParsons also announced a number of material contracts during the period confirming the continued successful execution of the Hydrocarbons strategy and the recognition of the advanced status of the company's project management systems and ability to utilize workshare as an integral component of project delivery.

In Australia, following the successful FEED for Woodside's North Rankin 2 Project, WorleyParsons and its joint venture partner were awarded the engineering and project management systems contract with expected revenue to WorleyParsons over the contract period of \$190 million.

ExxonMobil affiliate, Exxon Neftegas Limited awarded WorleyParsons' Russian joint venture company an engineering, procurement and technical services contract for its Arkutun-Dagi platform as part of the Sakhalin 1 offshore arctic development. The contract to be performed out of our Houston operation comprises \$28 million in fees for the initial studies with an estimated total of \$150 million over the expected five year length of the project.



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Our UK operations were awarded a FEED contract by Petrom S.A. for the modernization and expansion of the Petrobrazi refinery in Ploesti, Romania. This component of Petrom's \$1bn vision 2010 program is expected to exceed \$40 million in fees.

In Canada, Colt WorleyParsons was awarded an EPCM contract by Consumers Co-operative Refineries Limited for its C\$1.9bn expansion of its existing oil refinery in Regina, Saskatchewan, Canada.

In June 2008 WorleyParsons also announced the award of an engineering and project management services contract to support BP's global offshore development program, an innovative contract application by which BP intends to ensure the completion of safe and high quality delivery of its worldwide program of offshore platform design, build and installation.

In the Middle East, WorleyParsons was awarded early Select studies for the Chemaweyaath chemicals complex which, if completed, would be the world's largest fully integrated chemical complex.

## **Outlook for Hydrocarbons**

The outlook for Hydrocarbons remains positive for 2009. Strong demand continues to be experienced in all sectors. WorleyParsons push into unconventional hydrocarbons including offshore deepwater; oilsands, heavy oil and sour products, together with our recognised capability in conventional oil and gas, refining, LNG, petrochemicals and pipelines provides us with a comprehensive product offering in both greenfield and brownfield sectors that customers can access from an increasingly widespread global network of offices.

## **Power**

The Power business reported aggregated revenue of \$469.2 million, an increase of 7% on the previous corresponding period. Segment EBITDA was \$66.1 million with a reported segment margin of 14.1% (2007: EBITDA \$63.3 million, margin 14.5%).

The Power market continues to be driven by a combination of increased demand for electricity and increased concerns regarding the impact of greenhouse gas emissions. There has been a significant increase in interest in renewable energy including solar, wind, biomass and hydroelectric on a global basis. The shift to nuclear power continues with new projects in the development stage in several countries in addition to on-going programs in Europe, China, India, Russia and the US. Demand for natural gas fuelled plants remains strong. The continued reduction in conventional coal plants approvals impacted our results in the US as did the significant weakening of the US dollar in 2008.

Significant new contract awards in 2008 included solar and wind projects in the US, Europe and Australia including the Select study for the feasibility of an advanced solar thermal plant in Australia, major air quality improvement projects in the US, existing coal plant upgrade in Russia and license renewal and performance improvement projects for several existing nuclear power plants. The company was also awarded a material contract extension for project management services for the Belene nuclear power plant.

There were additional gas turbine contracts awarded in Canada, the US, Asia and the Middle East. New contract awards in the clean coal segment centred on studies, evaluations and preliminary engineering for gasification of coal plus carbon capture and sequestration.



## Outlook for Power

Uncertainty around fuel choice for power generation projects is expected to continue through 2009. This is likely to lead to increased demand for feasibility assessments and evaluation of alternative sources of power. We expect continued strong demand for renewable energy, gas turbine projects, nuclear services and front-end engineering for clean coal projects.

Demand for services to expand transmission networks is expected to increase and services to improve the performance and efficiency of existing assets of all fuel types including air quality improvement projects should remain strong.

## Minerals & Metals

WorleyParsons Minerals & Metals business experienced strong growth during the period with aggregated revenue increasing by 61% to \$471.1 million. Segment EBITDA was \$86.3 million with a reported segment margin of 18.3%.

Market conditions continue to be strong. We continue to perform a significant number of Select studies (early stage feasibility) which are expected to provide significant follow on opportunities as projects reach sanction.

Projects such as Worsley Alumina's Efficiency & Growth project (Collie, WA) and Spinifex Ridge Molybdenum and Copper project (Pilbara WA) have moved into execution phase during the year, joining the EMAL Aluminium smelter (Abu Dhabi), Ma'aden Phosphate project (Saudi Arabia) and phase 2 of the Pilbara iron ore project for FMG as the material EPCM and PMC projects currently in progress.

European operations continue to grow with a number of select studies and early phase projects in Russia, Ukraine and Kazakhstan. London is now a well established hub office supporting the European activities.

The Gas Cleaning group is continuing to see growing demand for cleaning and energy optimization services as well as EcoNomics® solutions across all regions with this capability now established in Australia, South East Asia and China, Canada and the USA.

The Canadian operations continue to benefit from the integration with the Colt operations and the recent acquisition of Westmar Consultants will enhance their capability to offer full 'pit to port' resource infrastructure solutions. Toronto continues to develop as an alumina engineering centre and is currently engaged in a major bankable feasibility study for an alumina refinery in Jamaica.

ARA WorleyParsons in Chile continues to provide a growing regional base to secure projects and exposure for WorleyParsons to on-going minerals opportunities in the Latin American region with opportunities secured in Peru and Brazil.

Operations in China continue to perform well and provide FEED and EPCM services to the specialty chemicals segment as well as providing high value engineering and global procurement support. Global workshare is being used very successfully to overcome local resource shortages.

The Middle East continues to provide opportunity for Program Management Consultancy (PMC), EPCM and Improve services with strong opportunities in the chemicals and aluminium sector.

Long-term Improve services contracts continue to show strong growth with a new asset services contract secured with Rio Tinto Alcan Yarwun alumina refinery in Australia. The European operations



have secured long term service contracts with SMR, a subsidiary of Basic Element in Russia and Kazakhmys in Kazakhstan.

## Outlook for Minerals & Metals

The outlook for Minerals & Metals remains positive. While commodity demand remains strong from the continued industrialisation and urbanisation of China and India this has been offset to some extent by current economic volatility and lower demand in Western economies, particularly in the US.

The full extent of the current economic conditions on project development in the sector in 2009 is unknown but a significant number of projects have been awarded and WorleyParsons growing geographic footprint and capability in the 'new resource' regions should provide continued growth opportunities.

## Infrastructure & Environment

The Infrastructure & Environment business performed well with aggregated revenue for the year of \$342.6 million, an increase of 56.0% from the \$219.6 million reported in 2007. Segment EBITDA was \$49.9 million with a margin of 14.6% (2007: EBITDA \$22.3 million, margin 10.2%).

This result reflects a continuation of very strong demand for services across the board in the Australian business. In addition to phase 2 of the Pilbara Iron Ore project for FMG, the business is involved in Select studies for a number of major resource infrastructure projects. Good progress was made in the municipal infrastructure sector in Australia, including involvement in desalination plants in Sydney, Melbourne and Perth in various stages of development.

The Middle East and Asian businesses have strengthened on the back of work on resource infrastructure projects such as Ma'aden, EMAL, Singapore Parallel Train and Chemaweya and municipal projects for the Land Transport Authority in Singapore.

Strong demand for infrastructure and environmental services in Canada has produced good returns in 2008. The scale of the Canadian operations following the integration of the Colt Group has enabled the development of new infrastructure markets for both resource and municipal infrastructure. Further development of the business will be complemented by the recent acquisition of Westmar Consultants that will strengthen our capability in the public and private sectors including marine, port, resource, mining, bulk material handling and transportation sectors within Canada, the US and internationally.

## Outlook for Infrastructure & Environment

WorleyParsons has developed a strong capability to support major resource projects with significant opportunities for growth in Canada, Australia, the Middle East, Africa, portions of Asia and Eastern Europe. The municipal market in Australia is also providing significant growth opportunities, particularly in the water, wastewater and rail sectors.

Environmental services associated with major resource projects remains a large and growing market for the company with significant opportunities for growth, in parallel and enhanced by our **EcoNomics®** initiative in delivering profitable sustainability solutions for our customers. The focus on and global concern for water usage and the development of alternative water sources, including desalination, continues to provide significant opportunities.



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## EcoNomics<sup>®</sup>

EcoNomics<sup>®</sup> is WorleyParsons' range of services and technologies that profitably embed environmental, social and financial sustainability into project delivery, across the asset life cycle.

Substantial progress was made in 2008 in the development of the EcoNomics<sup>®</sup> initiative launched in 2007. Increasing numbers of customers worldwide are utilizing EcoNomics<sup>®</sup> assessment methodology including quantification of environmental and social sustainability in project decision making, and then delivering the projects with a project team which includes embedded sustainability-related expertise and capability.

2008 also saw solid progress in the development of several new initiatives including a Select study for Advanced Solar Thermal (AST), a commercial utility scale (250MW) solar thermal power station. Uniquely the AST select study is being funded by a consortium of Australian stakeholders including public and private enterprises. Carbon capture and sequestration for coal-fired power stations, and the development options for fully-integrated sustainable communities are also underway.

### Outlook for WorleyParsons Group

Commenting on the outlook for the WorleyParsons Group, Mr John Grill said:

"We expect the markets for WorleyParsons' services will remain strong. Our key markets and sectors continue to experience positive conditions and we are well positioned to respond to these opportunities. Subject to conditions remaining favourable we expect to achieve increased earnings in 2009."

"The Company continues to evaluate opportunities for new business growth that will add to our existing capabilities and provide value for our shareholders."

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